

Members of the Township Board  
Berrien Township  
Berrien Center, Michigan 49102

In planning and performing our audit of the financial statements of the Berrien Township, Michigan for the year ended March 31, 2004, we considered the Township's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. The consideration we gave to the internal control structure was not sufficient for us to provide any form of assurance on it. However, we noted certain matters involving the internal control structure and its operations that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions are significant deficiencies in the design or operation of the internal control structure that have come to our attention and, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions inherent in the financial statements. The matters noted are only those that came to our attention and had our procedures in internal control structure related matters been more extensive, other matters may have been noted.

## **SEGREGATION OF DUTIES**

Control over cash disbursement transactions continues to be limited because of limited segregation of duties. During our audit we noted that the individual who enters the cash receipts into QuickBooks is also authorized to deposit cash receipts at the bank and reconcile bank accounts. We recommend that the recording function be kept separate from these other duties. Total segregation of duties is difficult to achieve in organizations the size of Berrien Township due to the limited number of personnel. Township management does not feel it is cost effective to add personnel at this time.

## **COMPUTERIZED GENERAL LEDGER**

We commend the Township for upgrading to a computerized general ledger. While the Township has been using separate QuickBooks files to track the General Fund activity and fire activity, the fire activity has not actually been a separate fund on the general ledger. Rather, it is an activity within the General Fund. This creates a situation where there are sometimes "transfers" within the same fund. We noted some reimbursements from the Fire QuickBooks file to the General Fund file, treating these as two separate funds. The Township has not budgeted for a separate Fire Fund. Therefore, these interfund type transactions should not be recorded. We recommend one of the following courses of action:

- Berrien and Pipestone Township could form a separate legal authority, with each Township having an ownership interest in the entity.
- Berrien Township could establish a separate Fire Fund to account for all receipts and disbursements of the Fire Department. If this is done, there would be no fire department activity recorded in the General Fund.
- Berrien Township could continue to account for all Fire Department activity in the General Fund. If this is done, the separate QuickBooks general ledger for the Fire activity should be deleted.

We understand that the Township Board will be addressing this issue at the August meeting by adopting a budget for a separate Fire Fund.

## **ACH POLICY**

Public Act 738 was passed, which allows local units of government to make and accept electronic funds transfers (ACH payments), if the local unit adopts a formal policy. While local units of government may have already been using the ACH system for payroll tax remittances and for the direct deposit of payroll, this new law requires a policy to be adopted. Although, the Township is not yet using ACH transactions, it may be wise to implement a policy for future use. By doing this now, the Township is in a position to use electronic transfers of funds at any time.

## **EMPLOYEE BENEFITS POLICY**

The Township's most recently approved Employee Benefits Policy dates back to 1982. We recommend a complete review of written policies to update them to current practices.

## **ELECTRONIC FILE BACKUP**

The Township has a policy of backing up QuickBooks files at least weekly and storing the backup in a fireproof safe. While this is a good practice, the procedure could be further enhanced by keeping copies of these back-ups at an off-sight location. Under current scenarios, if a catastrophe were to occur at Township Hall, not only would the computer hardware with software be destroyed, likewise, the back-up files potentially could be destroyed or become unattainable. Storing a back-up copy off-sight would allow the Township to restore files and retrieve information quickly.

## **STATE SHARED REVENUE AND BUDGETING**

Municipalities in Michigan have and will continue to feel the effects of the slow down in the State's economy. State shared revenue accounted for approximately 47% of the Township's total General Fund revenue for the fiscal year ended March 31, 2004. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue sharing payments to local units of government) and the State's budget problems which have resulted in additional appropriation reductions to the revenue sharing line item in the State's budget, revenue sharing payments for the State's fiscal years ending September 30, 2002 and 2003 were less than originally projected.

It is generally acknowledged that the State's budget woes will continue for several more years. As a result, we continue to urge the Township to be conservative in its estimation of state shared revenue as this line item in the State's budget remains vulnerable.

## **NEW REPORTING MODEL – GASB 34**

The Township will need to implement this new reporting model for the year beginning April 1, 2004. An implementation timeline should be established. We have started working with members of the Township's staff to accumulate data and records necessary to begin implementation.

We appreciate the courtesy and cooperation extended to us by you and members of your organization during the audit. We appreciate the opportunity to present these recommendations for your consideration and would be pleased to discuss them further at your convenience.

*Plante & Moran, PLLC*

June 18, 2004